

**STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING -- DIVISION OF FINANCIAL ASSISTANCE
NOVEMBER 15, 2006**

ITEM 8

SUBJECT

CONSIDERATION OF A RESOLUTION APPROVING A PRELIMINARY STATE REVOLVING FUND (SRF) LOAN COMMITMENT TO ROSAMOND COMMUNITY SERVICES DISTRICT (DISTRICT) FOR CONSTRUCTION OF THE WASTEWATER TREATMENT PLANT EXPANSION PROJECT (PROJECT); SRF LOAN PROJECT NO. C-06-4148-110

DISCUSSION

The District is seeking a SRF loan from the State Water Resources Control Board (State Water Board) to upgrade and expand the District's wastewater treatment plant (Plant) located outside the City of Rosamond and near Edwards Air Force Base in the High Mojave Desert. The existing wastewater system consists of a gravity collection system, 15 treatment ponds, and evaporation disposal ponds. The existing capacity of the treatment ponds is 1.3 million gallon per day (MGD). The users of the wastewater facilities are largely residential with some commercial development. Disposal is primarily accomplished through evaporation ponds. The District discharges periodically to non-food bearing trees located at the treatment plant site. The District has previously constructed reclaimed water pipelines to convey treated effluent to potential users.

The purpose of the Project is to upgrade and expand treatment capacity for the existing wastewater plant to meet the Lahontan Regional Quality Control Board Waste Discharge Requirements (WDRs) Nos. 6-95-107 and 6-96-107A1, which limits the total daily flow discharge to 2.0 million gallons per day. In addition, the Project will increase the beneficial use of water by reclamation in the arid high desert region where the District is located.

The proposed Project will include construction of facilities for grit removal, flow splitting, a new 0.5 MGD extended aeration reactor basin, one secondary clarifier, return and waste activated sludge pumping station, chemical feed facility, filters, ultraviolet disinfection, sludge drying beds, a control building, and effluent disposal and storage facilities.

The District prepared an Initial Study/Negative Declaration for the proposed Project that was distributed to the public and circulated through the State Clearinghouse (SCH No. 1999101037) for review from October 12, 1999, through November 11, 1999. During the review period the District received comment letters from the Lahontan Water Board and the State Water Board, Division of Financial Assistance. The District considered the comments and approved the Negative Declaration on December 22, 1999. The District filed a Notice of Determination with the Kern County Clerk and the Governor's Office of Planning and Research on February 28, 2000. In March 2006, the District re-circulated the Negative Declaration through the State Clearinghouse with a review period from March 2, 2006, through April 3, 2006. There were no additional comments regarding the proposed Project.

On November 10, 1999, State Water Board staff distributed the Negative Declaration to the following federally designated agencies: United States Environmental Protection Agency (USEPA); Army Corps of Engineers; U.S. Fish and Wildlife Service; U.S. Department of Agriculture; the Federal Emergency Management Agency; and the U.S. Department of Agriculture Natural Resources Conservation Service. The federal review period expired on December 15, 1999. There were no comments or concerns from federal cross-cutting agencies.

The State Water Board's Cultural Resources Officer cleared the Project with no special conditions on March 31, 2000.

The District determined that the proposed project will not violate any applicable air quality plans or standards and will not increase pollutant concentrations. The USEPA was given the Project information to evaluate compliance with federal air quality regulations. USEPA did not provide any comments to the State Water Board.

In accordance with the State Water Board's *Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities* (Policy), adopted on February 16, 1995, and amended on September 22, 2005 projects on the adopted priority list need State Water Board approval to receive a SRF loan. A SRF loan commitment can be approved by the State Water Board after the Division of Financial Assistance (Division) has issued the Facilities Plan Approval. On October 5, 2006, the Division approved all documents above by issuing Facilities Plan Approval for the District's Wastewater Treatment Plant expansion project. The District agreed in writing on October 12, 2006, with the Division's approval.

The construction cost of the Project is estimated at \$8.7 million based on the Project Report. The estimated loan eligible construction cost is \$7.2 million. The total eligible project cost, including engineering allowances, is estimated at \$8.3 million.

The District has provided the Division with a schedule containing Project milestones. These dates are included in the Division's facilities plan approval letter. In accordance with Section IX (J) of the SRF Policy, the resolution includes the following sunset dates for the preliminary funding commitment: August 28, 2007, for issuing a "Notice-to-Proceed" (NTP) to construction, and October 30, 2007, for signing the SRF loan agreement. The Division may approve up to a 90-day extension for good cause for both dates.

The District has applied for the full estimated eligible SRF loan amount of \$8.3 million for the Project. The District requests a 20-year repayment period with the first SRF loan repayment due one year after completion of construction.

POLICY ISSUE

1. Should the State Water Board approve a SRF preliminary loan commitment for the proposed Project, including a 20-year repayment period, with the first repayment due one year after completion of construction?
2. Should the State Water Board, in accordance with Section IX (J) of the Policy, condition this approval by withdrawing the SRF preliminary loan commitment if the District does not issue a NTP to construction by August 28, 2007, and sign the SRF loan agreement by October 30, 2007? Should the Division staff have the discretion to approve up to a 90-day extension for good cause for both dates?

FISCAL IMPACT

(as of 9/20/06)

	SFY 2006-07	SFY 2007-08	SFY 2008-09	SFY 2009-10	SFY 2010-11
Beginning Balance:	\$533,353,932	\$151,459,058	\$106,994,430	\$112,710,418	\$213,379,981
Estimated Repayments	\$176,718,315	\$178,461,255	\$188,461,255	\$198,461,255	\$208,461,255
Debt Service on Revenue Bonds	(\$33,439,354)	(\$33,357,579)	(\$31,893,104)	(\$31,758,441)	(\$31,456,429)
Estimated Capitalization Grants	\$44,528,521	\$62,209,185	\$0	\$0	\$0
State G.O. Bond proceeds (less state admin. match)	(\$606,678)	\$0	\$0	\$0	\$0
Local Match Credits	\$30,884,632	\$7,075,635	\$4,610,358	\$4,166,750	\$4,166,750
Est. SMIF Interest:	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Estimated Disbursements	(\$559,480,310)	(\$221,253,124)	(\$119,162,521)	(\$61,100,000)	(\$25,964,254)
Subtotal	\$193,959,058	\$146,594,430	\$151,010,418	\$224,479,981	\$370,587,303
Lompoc, City of, SRF Proj. No. 4829-110	(\$15,000,000)	(\$20,000,000)	(\$20,000,000)	(\$11,100,000)	
Rosamond CSD, SRF Proj. No. 4148-110	(\$5,000,000)	(\$1,200,000)	(\$2,500,000)		
Reserve for Small Community Wastewater Grant Projects	(\$22,500,000)	(\$18,400,000)	(\$15,800,000)		
Balance	\$151,459,058	\$106,994,430	\$112,710,418	\$213,379,981	\$370,587,303

Notes:

Estimated Repayments include repayments from existing and future loans.

Local match credits consist of G. O. Bond funds used as state match with previous Capitalization Grants but not disbursed due to previous local agency expenditures for local match loans funded with federal funds from those previous Capitalization Grants.

Estimated disbursements include disbursements remaining on existing loans as well as disbursements anticipated on loans executed for projects with existing commitments. The Division revises the estimated disbursements total monthly as cash draw forecasts are updated.

REGIONAL WATER BOARD IMPACT

The Lahontan Water Board has prescribed WDRs Order Nos. 6-95-107 and 6-96-107A1 for the Plant. The proposed Project will assist the Plant to comply with the WDRs.

STAFF RECOMMENDATION

1. The State Water Board should adopt a resolution approving a SRF preliminary loan commitment of \$8.3 million for the District's Project with a repayment period of 20 years, and with the first repayment due one year after completion of construction.
2. In accordance with the SRF Policy condition this approval by withdrawing the SRF preliminary loan commitment if the District does not issue a NTP to construction by August 28, 2007, and sign the SRF loan agreement by October 30, 2007. The Division staff should have the discretion to approve up to a 90-day extension for good cause for both dates.

**STATE WATER RESOURCES CONTROL BOARD
RESOLUTION NO. 2006 -**

APPROVAL OF A RESOLUTION APPROVING A PRELIMINARY STATE REVOLVING FUND (SRF) LOAN COMMITMENT TO ROSAMOND COMMUNITY SERVICES DISTRICT (DISTRICT) FOR CONSTRUCTION OF THE WASTEWATER TREATMENT PLANT EXPANSION PROJECT (PROJECT); SRF LOAN PROJECT NO. C-06-4148-110

WHEREAS:

1. The State Water Resources Control Board (State Water Board), on February 16, 1995, adopted the "Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities," and amended it on September 22, 2005;
2. The State Water Board, on June 7, 2006, adopted the state fiscal year 2006/2007 SRF Loan Program Priority List which included the District's Project in Priority Class C;
3. The Division of Financial Assistance (Division) has approved the Facility Plan for the District's Project on October 5, 2006, and the District agreed with the approval on October 12, 2006;
4. The District prepared and adopted an Initial Study/Negative Declaration for its proposed Wastewater Treatment Plant Project;
5. The District re-approved the proposed Project on July 26, 2006; and
6. The State Water Board staff has reviewed and considered these environmental documents and determined that the Project will not have any significant water quality impacts.

THEREFORE BE IT RESOLVED THAT:

The State Water Board:

1. Approves a SRF preliminary loan commitment of \$8.3 million for the District's Project, with a repayment period of 20 years, and the first repayment due one year after completion of construction;
2. Includes a condition that this SRF preliminary loan commitment will expire if the District does not issue a "Notice-to-Proceed" to construction by August 28, 2007, and sign the SRF loan agreement by October 30, 2007. The Division staff may approve up to a 90-day extension for good cause for both dates; and
3. Directs the Division to allocate \$8.3 million consistent with the construction schedule and availability of funds.

CERTIFICATION

The undersigned, Clerk to the Board, does hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the State Water Resources Control Board held on November 15, 2006.

Song Her
Clerk to the Board